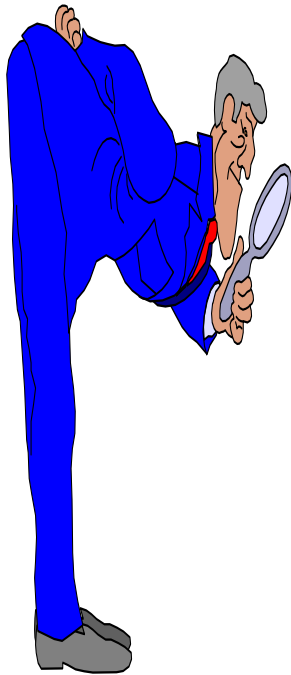


Key Ideas

Chapter 5: Tax Rates & Tax Levies



In this section, we will discuss the following:

- *The role of Certification of assessed values by local officials*
- *The amount of annual maximum levy increases.*

TAX RATES AND TAX LEVIES

In terms of technical and administrative problems, the most difficult part of the budget process is establishment of an adequate tax rate and tax levy. This is particularly difficult because maximum levy limitations are in place for each Library. The maximum levy limitation controls the amount of property tax levied by a Library, thereby placing a cap on revenues available through property tax.

$$\begin{aligned}\text{Tax Rate} \times (\text{AV} / 100) &= \text{Tax Levy} \\ \text{or} \\ \text{Tax Levy} / (\text{AV} / 100) &= \text{Tax Rate}\end{aligned}$$

When determining the levy required for a specific calendar year, Libraries are required to subtract from projected expenses any amounts of miscellaneous revenue that will be generated in lieu of property tax. The difference, or amount remaining, reflects what is required to be raised in property tax. If the levy, (line 10, Form 4B) remaining after subtraction of miscellaneous revenues is greater than the maximum levy limitation, a Library has two options:

- 1) an excessive levy appeal, if applicable; or
- 2) a reduction in line item expenditures during the current or proposed calendar year.

Unless the Library is pursuing an excessive levy appeal for budget purposes, the Library will automatically be required to reduce current year or ensuing calendar year expenses. A budget reduction is both a financial and political process. The financial aspect covers the requirement in Indiana for a balanced budget, operations within a maximum levy limitation, and avoidance of operating in the red. The political aspects of a balanced budget are evident. No discussion will follow on this area.



In preparing tax rates, local officials rely on the certification of assessed values by the County Auditor.

In preparing tax rates, local officials rely on the certification of assessed values by the County Auditor. The County Auditor works with the County Assessor to solidify values that represent the assessed valuation of all real and personal property within the county reported by the city or township assessor. The Department of Local Government Finance provides the Auditor and other official's data on valuation of public utilities and on specific taxation limitations.

This information is used by each local official in the determination of tax rates and levies for the ensuing calendar year. The information should be received no later than August 1st. If the Library Director does not have the information certified from the County Auditor, it should be requested without delay.

Property Tax Levies

Libraries are permitted growth under the current tax package. A maximum increase of 6% in levy is provided each year. Libraries experiencing more rapid growth may qualify for an additional increase through an excessive levy appeal. The excessive levy appeal procedure described in this manual allows for levy growth in excess of the norm. Proper procedures must be followed to attain this special exception (as explained in a later chapter in this manual). Before an appointed library board described in IC 6-1.1-17-20(a)(2)(B) may impose a property tax levy for the operating budget of a public library for the ensuing calendar year that is five percent (5%) greater than the property tax levy for the operating budget of the public library for the current calendar year, the library board must submit its proposed budget and property tax levy to the appropriate fiscal body for approval according to I.C. 36-15-14-2.



A maximum of a six percent increase in levy is provided each year. An increase of 5% of the operating budget requires approval from the appropriate fiscal body.

The maximum levy limitations are determined by the Department of Local Government Finance and represent the maximum amount of property taxes that may be raised in a given year. The information is furnished to Library Directors prior to preparation of ensuing calendar year budgets. Libraries have one maximum levy worksheet. This worksheet encompasses the Library operating budget. The estimate of funds to be raised through property taxes may not exceed the maximum levy established for the Library operating budget. This levy limitation includes the levy for Library operating, and other Library funds. The Library Director must balance the needs of the Library with the levy limitations.

It must be noted that Senate Bill 1 was passed in December 2003 and it amended IC 6-1.1-17-20 to include libraries. I.C 36-12-14-2 states an appointed library board shall submit its proposed operating budget and property tax levy for the operating budget to the appropriate fiscal body at least fourteen (14) days before the fiscal body is required to hold the budget approval meeting per IC 6-1.1-29-4. The appropriate fiscal body for a library is defined as follows:

1. If the library district is located entirely within the corporate boundaries of a municipality, the fiscal body of the municipality is the fiscal body for the library.
2. If the library district is not located entirely within the corporate boundaries of a municipality, but is located entirely within the boundaries of a township, then the fiscal body of the township is the fiscal body of the library.
3. If the library district is not located within the corporate boundaries of a municipality, or located entirely within the boundaries of a township, then the fiscal body of each county in which the library district is located is the fiscal body for the library.

Determination of the Library's proposed property tax rate is calculated on the 16-line statement or Form 4B, Estimate of Funds to be Raised. The Estimate of Funds to be Raised is the property tax levy desired for each fund. Step one involves determining the assessed valuation of taxable property within the Library's jurisdiction. This assessed valuation is provided by the County Auditor and certified to the Department of Local Government Finance. The same calculation is used for each fund with a property tax levy.

Step two requires the Library Director to take the estimate of funds to be raised on Line 16 of Form 4B and divide that amount by the total assessed valuation (per each \$100 of assessed valuation) for the taxing district to determine the tax rate needed to support the fund.

For example: Estimate of funds to be raised is \$100,000
Assessed valuation is \$160,000,000

Tax rate: $100,000 / (160,000,000 / 100) = .0625$ tax rate
(To check your work $.0625 \times 1,600,000.00 = 100,000$)

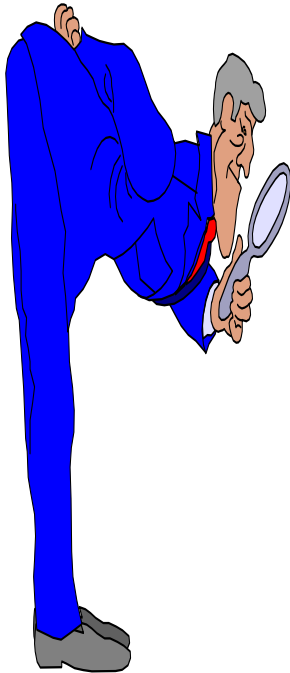
The tax rate calculated (.0625) represents the property tax rate needed to support this particular fund. The same calculation is made for all funds with a property tax levy.

Taxpayer Appeal to Property Tax Levies

I.C 6-1.1-17-13 gives allowance for ten (10) or more taxpayers or one (1) taxpayer that owns property that represents at least ten percent (10%) of the taxable assessed valuation in the political subdivision to initiate an appeal from the county board of tax adjustment's action on a political subdivision's budget by filing a statement of their objections with the county auditor. The statement must be filed not later than ten (10) days after the publication of the required notice. The statement shall specifically identify the provisions of the budget and tax levy to which the taxpayers object. The county auditor shall forward the statement, along with the budget, to the department of local government finance. The department of local government finance shall give notice to the first ten (10) taxpayers whose names appear on the petition, or to the taxpayer that owns property that represents at least ten percent (10%) of the taxable assessed valuation in the political subdivision in the case of an appeal initiated by that taxpayer, of the date, time, and location of the hearing at least five (5) days before the date of the hearing.. After the hearing, the Department will consider the testimony and evidence submitted at the hearing and mail the department's written determination and statement of findings to the first ten (10) taxpayers whose names appear on the petition, or to the taxpayer that owns property that represents at least ten percent (10%) of the taxable assessed valuation in the political subdivision in the case of an appeal initiated by that taxpayer.

Summary

Chapter 5: Tax Rates & Tax Levies



In this section, we have discussed the following:

- *In preparing tax rates, local officials rely on the certification of assessed values by the County Auditor.*
- *A maximum of a six percent increase in levy is provided each year.*